

# **GC CASE T-689/24 – VAT DEDUCTIBILITY WITH LATE INVOICE: EXECUTIVE SUMMARY**

Overview of VAT rules for late invoice deductions

# **EXECUTIVE OVERVIEW OF GC CASE T-689/24**

## TITLE & KEY MESSAGE: VAT DEDUCTIBILITY WITH LATE INVOICE

### Legal Ruling on VAT Deductibility

The General Court ruled that businesses can deduct input VAT even if the invoice is received after the period end but before VAT return submission.

### Invoice Timing and VAT Recovery

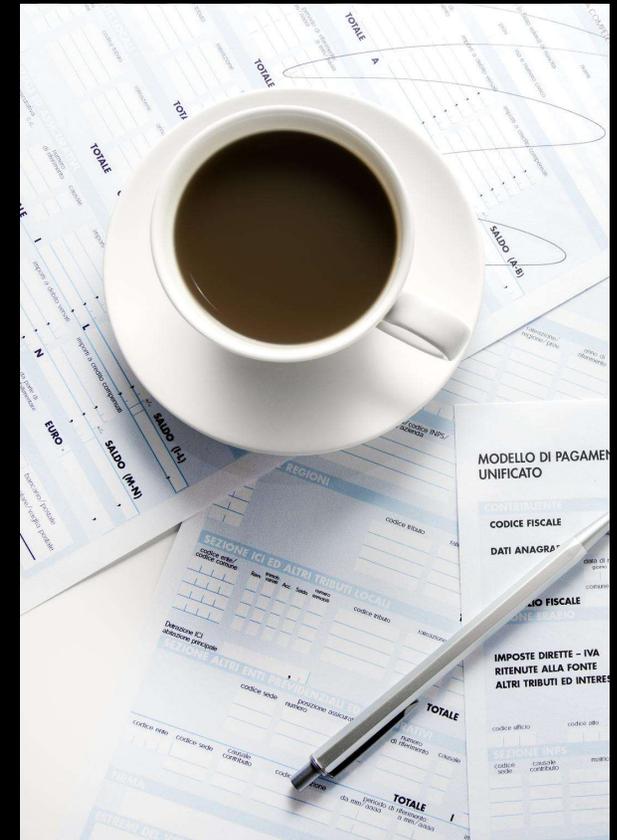
Late invoices do not justify deferring VAT deduction if obtained before filing the VAT return, ensuring timely tax recovery.

### Alignment with Economic Reality

The ruling enforces that VAT deductions reflect the economic transaction, preventing administrative burdens from delaying tax recovery.

### Implications for Multinational Operations

This decision impacts multinational and cross-border businesses by clarifying VAT deduction timing under EU law.



# **COURT DECISION AND LEGAL RATIONALE**

## WHAT THE COURT DECIDED: VAT DEDUCTION TIMING

### Timing of VAT Deduction

Input VAT is deductible in the supply period even if invoice arrives later, before VAT return filing.

### Invoice as Formal Requirement

Invoice is required to exercise the right to deduct VAT, but not to establish the right itself.

### EU Law Compliance

National rules deferring VAT deductions due to invoice timing conflict with VAT Directive articles.

### Business Implications

The decision enables prompt VAT recovery, aligning tax reporting with economic transaction timing.



# **KEY PRINCIPLES AND THEIR IMPACT**

## WHY IT MATTERS: NEUTRALITY, PROPORTIONALITY, SUBSTANCE OVER FORM

### VAT Neutrality Principle

Ensures businesses do not pre-finance VAT, keeping tax burden on final consumers and preventing financial strain.

### Proportionality in VAT Rules

Formal requirements must not undermine VAT deduction rights, preventing disproportionate administrative burdens.

### Substance Over Form Principle

Economic reality of transactions takes precedence over procedural formalities in VAT application.

### Impact on Multinational Businesses

Strengthens immediate VAT deduction rights, reduces compliance risks, and harmonizes tax approaches across countries.



# **BUSINESS IMPACT AND PRACTICAL IMPLICATIONS**

## **BUSINESS IMPACT: CASH FLOW, COMPLIANCE, AND EU-WIDE APPLICATION**

### **Improved Cash Flow**

Earlier VAT recovery reduces the need for businesses to pre-finance VAT, improving liquidity especially at period ends.

### **EU-Wide VAT Harmonization**

The ruling mandates Member States to harmonize VAT rules, removing invoice timing restrictions across the EU.

### **Compliance Process Adaptation**

Businesses must update systems and train staff to manage late invoices and ensure prompt VAT claims before filing deadlines.

### **Retrospective VAT Claims**

Opportunity to review and amend past VAT returns for deferred deductions, enabling potential retrospective claims.



# **EXECUTIVE TAKEAWAYS AND RECOMMENDED ACTIONS**

## EXECUTIVE TAKEAWAYS: ALIGNING VAT REPORTING AND ACCELERATING RECOVERY

### Align VAT Reporting

Ensure VAT reporting aligns with the period of supply and capture late invoices before the filing deadline to maximize deductions.

### Review and Accelerate Recovery

Review local tax practices against EU law and explore opportunities to accelerate VAT recovery and claim deferred deductions.

### Engage and Upgrade Systems

Engage tax authorities proactively and upgrade systems and train staff to handle late invoices and ensure compliance.

### Gain Competitive Advantage

Act swiftly to reduce tax risk, demonstrate compliance, maintain VAT neutrality, and realize full financial benefits.

